

UNITED STATES SMALL BUSINESS ADMINISTRATION

Mobile, AL

May 26, 2005

PROCEEDINGS

[START TAPE 1 SIDE A]

KEN: ...compliance and systems tools much like wage and hour. DG [phonetic] Compliance Assistance Tools help different businesses to get in compliance with the OSHA regulations. Those are all slowly being [background noise]. The latest one is in shipyards. If you have a specific need for an industry that you're involved in, that you don't find those types of tools available to you, you can make those recommendations directly to a local OSHA office or, again, through our website. That website is www.osha.gov, and you probably know that. Of course, we do have all of our regulations, all of our letters of interpretations, and probably more interestingly, we have all of our directives that dictate how compliance officers are supposed to do their jobs available to you so you can actually see and determine if the compliance officers are doing exactly what they're supposed to do. It gives you rights and responsibilities, what they're supposed to be doing while they're on site. OSHA is very open. Everything we have is available on our website. A lot of people actually complain that it's hard to find anything because if you do a search, you'll get so many hits, and that's why we have at the top, there's an alphabet, A-Z, so use the alphabet at the top, and click on the key words rather than do a key word search, and that would really get you close to what you need. But, again, I'm located off of Mont Lamar [phonetic] Street, we just moved, and certainly come on in to the office if you ever have any questions. I deal, like I said, on a daily basis with small business, and certainly look forward to working with any of you, and with the chamber of commerce here. Thanks.

MALE VOICE: Ken, are you the local guy here? Is that what you're saying?

KEN: Yes, I'm the Director here in Mobile.

[crosstalk]

KEN: Yeah, I'm right here in Mobile, and I'm just with OSHA.

MALE VOICE: Okay.

KEN: Deal with specifically OSHA issues.

MALE VOICE: I've got one more. Sandra Kilpatrick with the USDA.

MS. SANDRA KILPATRICK: I work for the Food Safety Inspection Service. I'm an officer. I go to producing plants, small and large, and assess the food statuses. We're a good resource if they ever have any problems of meeting the regulations, we can help them or we can refer them to the people that can help them.

MR. PETER SORUM: Thank you.

MS. KILPATRICK: Mm hm.

MR. PETER SORUM: Is that it in terms of the agencies?

MALE VOICE: Are there any other federal agencies that we didn't...?

MR. PETER SORUM: I have a question. Did everybody sign in? Okay.

MALE VOICE: As far as the federal agencies, they all have.

MR. PETER SORUM: Pardon?

MALE VOICE: As far as the federal agencies, they have.

MR. PETER SORUM: How about the other people in the room? Do we have everybody signed in?

MALE VOICE: We'll have the sign out sheets on the table on outside if you haven't, so please be sure if you have not; let us know that you're here.

MR. PETER SORUM: Okay. Do you want to dial up [unintelligible], talk to him?

MALE VOICE: [Unintelligible]

MR. PETER SORUM: What we're going to do is have Mr. Hemley, who we referred to earlier; he's supposed to call in. Okay. Thank you. This is one of the things that we're doing in terms of outreach. When we're doing these hearings, we are giving small business people the capability of dialing in if they can't physically attend so that we can have, you know, anybody and everybody who wants to, which has worked out pretty well with one exception. I had case where the woman didn't want to disclose certain things because she didn't know who was in the room when she called in, so... This is what we pay him the big bucks for. Yes, sir?

MALE VOICE: I have a general question. Is a federal contract employee, is that considered under the umbrella of SBA?

MR. PETER SORUM: A federal contract employee. What does that mean?

MALE VOICE: With the Department of Labor, but I wonder if your services under the umbrella of the federal contract employee who is, in essence, his own business. I mean, that may be....

MR. PETER SORUM: I'd have to know a little bit more.

MALE VOICE: All right. Well, I can mention it with Dominique [phonetic] or somebody to bring it down or [inaudible]. You know, I may, because I think fit under the definition of what constitutes help or outreach under the, under your umbrella or under the ombudsman, so I just, I don't know.

MR. PETER SORUM: As long as you're a small business.

MALE VOICE: Pardon me?

MR. PETER SORUM: As long as you're a small business.

MALE VOICE: Yeah. I'm incorporated, and I've had contact with federal agencies.

MALE VOICE: What was the gentleman's name?

MR. PETER SORUM: Hemley. Jeff Hemley.

MALE VOICE: Mr. Hemley, are you with us?

[off mic comments]

MALE VOICE: A lot of these hearings folks say they're going to testify, don't, and then [unintelligible].

MALE VOICE: If anybody needs to, there's coffee in the back, water, and the restrooms are right outside behind [unintelligible].

MR. PETER SORUM: Well, the point of what we're trying to do right now is the fact that, you know, we like to hear good news, too. As I said, we don't take complaints. We do take comments.

MALE VOICE: Are you open for comments?

MR. PETER SORUM: I'm hoping that we'll get...

MALE VOICE: Okay, [unintelligible].

MR. PETER SORUM: Yeah, because he wanted the time specific, and I gave him 9:45 because I felt that I'd be through the PowerPoint presentation and the agency introductions.

FEMALE VOICE: Not quite 9:45, but he may be appearing at the right time.

MR. PETER SORUM: Okay.

[mixed voices]

MR. L.D RALPH: Mr. Hemley?

MR. JEFF HEMLEY: Yes, sir.

MR. RALPH: This is L.D. Ralph with the Small Business Administration. We have you on the speakerphone in the hearing room now. I'll let Mr. Sorum speak to you, and get you started.

MR. HEMLEY: Okay.

MR. PETER SORUM: Jeff, thank you so much for calling. We have introduced briefly what the issue is that you are involved in. We have somebody here from the local customs office as well, and we would like you to tell the assembled group exactly what you experienced.

MR. HEMLEY: Okay. Well, we were just having a real hard time getting our shipment cleared, and it was, it had gone on for, I guess about a week and a half, two weeks, and we were really concerned. We're just a small business, and just really getting started. It was, I think, our fourth or fifth container that we were receiving, and just the channels of communication weren't real well between all of us, including our customs broker, which didn't have anything to do with the customs department themselves. They couldn't help that. But, and we just got real worried because we were given some information that wasn't real good, so, you know, basically, we panicked.

We started looking for lawyers, started looking for help. I got online, started for looking for help, and I found, through the SBA, the Ombudsman Department. I really didn't know anything about it, and so I e-mailed the Ombudsman Department exactly what was happening. A few days after I did that, the situation was settled. Customs was able to go ahead and process the shipment. I found out after that that some of their heads, the managers and so forth, they were in training that week, and it was just a very difficult week for them as well, because they had just one guy in charge of, basically, everything coming in on the port, so there really wasn't a whole lot they could have done to have changed that situation. Once everything worked out, we figured out it was okay. It was just some false information we got, and we actually thought they were about to take our staff and burn it. We didn't know anything about it, but we had gotten some real bad information, and could not get any communication except for with one of the supervisors. I kept calling him, and he was really nice. His name was Wesley... I forget the last name, but he was really nice, but he didn't have much information because he was in training. I just kept calling him, and he really didn't know exactly what was going on. He told us the best that he could, and we were very concerned, so we just did our best to try to find help, and, also, you guys were just great. You contacted us just right away, a little bit later, and tried to, you know, help in every way that you could, and it's just a been great blessing to us to see that we're not out here alone. You know, I thought, man, there's, here's this government organization, and they may take our stuff, and there's nothing we can do, and I couldn't even find a lawyer that deals with stuff like that because there's not any that'll face the government, but thank God for people like you guys, and I sure appreciate your services.

MR. PETER SORUM: Well, Jeff, thank you very much for calling in, takes the time today to share with everybody here in Mobile your experience. As I said in my earlier presentation, we do whatever we can to help, and we're glad we were able help you.

MR. HEMLEY: And thank you so much.

MR. PETER SORUM: If you need anything further, you know how to find us.

MR. HEMLEY: Okay.

MR. PETER SORUM: Okay?

MR. HEMLEY: Okay. Thank you.

MR. PETER SORUM: Thank you.

MR. HEMLEY: Okay. Bye bye.

[END TAPE 1 SIDE A]

[START TAPE 2 SIDE A]

MR. SORUM: Okay. Okay? Michael Johnson?

MR. MICHAEL JOHNSON: Up here or...?

MR. SORUM: Yeah, that's fine. Just tell us.

MR. JOHNSON: Okay. I didn't expect to be doing this. I'm from Bayou La Batre, which is a small community probably 20 miles south of here. I'm a member of the Shipbuilding Association there. Also, I'm a State Director to Southern Shrimp Alliance, which is an eight state group that, we just was instrumental in doing these dumping petitions, and getting these tariffs on imported shrimp from six foreign countries. Also, a member of the Eat Alabama Wild Shrimp committee, which was... what we did there, we had some grant money come down last year for the shrimp industry, which the locals will really know here how depressed this is down here. In the year 2000, we were getting like \$6 a pound for shrimp. Today, we're getting \$3 for it. These boats are that we were building back then were \$700,000 to \$1,000,000 range. Right now, I think we've got 70 up them tied up at the court there that's been foreclosed on and stuff, so the industry was really devastated, but what we did with the Eat Alabama Wild Shrimp, we took the \$1.2 million that the feds sent down, and we developed a marketing program to where we're, instead of divvying it out to the industry \$200 a piece, we just said, let's put it into a marketing program. Winston Groom has worked with us, the author of Forrest Gump; he's doing some TV commercials that we're going to be... we've already done some. Now, we're going to take them statewide.

So what we're doing... shipbuilding industry there, basically, two years ago, just went belly up, you know, as far as shrimp boat building. Nobody no longer wanted a boat. So, and now I'm getting to the personal side of this. We were boat builders, also, and we quit probably in '03 building boats. We just kind of backed off, and sat back waiting to what happened. Last year, we got involved with looking at doing some, applying for HUBZone application to start doing some government contracts with the coast guard and all, so not having ever done anything like this, I went to the congressman and the senator, and asked for their assistance. You know, where do I go with

doing this? They sent me to south Alabama to the, I think they call it P-TAC [phonetic] program, and we started out with the application. Also, he sent me up to Alabama Small Business Consortium Development, which, you know; they claim here that they're a partner of SBA.

So I guess what I'm getting back to, my complaint is with the SBA, is where I'm coming from. But he also helped me with it, and when we got into the application form, I made it clear to him, you know, I said, I want to make sure we're doing this correctly, because in the application it said list your present employers, how many you have employed. At that time, we didn't have. We were, we were not working. So they advised us on how to do the application. They said use your previous employees that you had. They are your employees. Use them. So, basically, what happened, we did get HUBZone approved in December. We bid on some government contracts in February, which were about to be awarded to us by the Coast Guard here two months ago. Coast Guard notified us we were the low bidder. In the process, they sent it back to the other people that had bid. They had a protest filed against us that, you know, since we hadn't been operating we're going to do 51% of the work, you know, where's our office, the whole thing. So this went up to SBA's office of General Council in Washington on this protest. They kept coming back requesting information for us, which we furnished them all the information. Ultimately, we won that appeal against the protesting. In turn, SBA, themselves, filed a protest against us to the office of General Council that we were not employing 35% of our people from a HUBZone at the time we made the offer, and we told them, we said, no, we weren't employing anyone then. When we got the awarded the contract, we were going to bring out people back on to work, which we were advised by the P-TAC people in Birmingham, which I have a letter here from them where he took responsibility for it, P-TAC did, said that's the way I advised them to do it.

So, like I say, right, the Coast Guard turned around, and they, we lost those two jobs here two weeks ago. They went elsewhere with it. We're under appeal now on this, but, basically, what's happened is, I've done lost my notes here, like I say, on the 35% percent employees, the Coast Guard even come back to us and said that they had to rethink this whole thing because they've always looked at it from the point that 35% employees is doing the performance of the contract, you know, and they had never considered in the bid or offering period, so that's basically we're it, and right now, we're into an appeal back to the AA hub in Washington for this, and what's the bottom line of this whole thing is if they decertify you, we're out for a year. We've got to wait a year, and then start back reapplying again, and what we're going back in, we've researched this thing, and looked at it. You know, it didn't say there that they had to decertify you. It says that the SBA may

decertify or one of the other options, they could give you 30 days to get your house back in order, which that's what we went back to. We went back to them and said, look, we were relied on the advice of your partners here. The answer back in the protest letter we got on the decertification was that ABSDC was not a partner of ABS, that they, they can't, you know, we can't take their word to rely back on, you know, and fall back on them, which, when we went back in our research here, you know, that in the manual it states that these satellite offices and field offices or whatever, that's what they're out there for. Here it is the SBA's own description of the mission that the Small Business Development Center to provide management assistance and current perspective business owners, SBA, it says one stop assistance to individuals in small businesses, and that's what we did. We went to them, and said look, help us. Help us do this application. This was one of our concerns at the time of the application, so look, it's asking for employees, and we did it under their guidance and assistance, and now SBA is basically coming back, and saying, well, we're sorry, you shouldn't have listened to them and their advice, and our point is, wait a minute, that's your advice, they're your partners, who else do we listen to if we don't listen to you, and so, basically, that's where we are now with this.

MR. SORUM: Thank you, Mike.

MR. JOHNSON: And I appreciate your giving us the chance to do this.

MR. SORUM: Thank you. Well, I appreciate you coming, and sharing with us. It demonstrates, once again, that we don't hold the SBA above all the other federal agencies. You know, if there's a problem with the SBA, we want to know about it. The administrator wants to know about it, and we want to try and address it because if situations like this are occurring, you know, we have to get answers, and we'll do it, so when you fill out your comment form, give me your packet of information, I'll take it back, and I'll go... fortunately, I only have to go one floor, from the seventh floor to the eighth floor, to get their attention, so, anyway.

MR. JOHNSON: They're going to rule on this probably in the next day or two. We had to reply back by Monday on our fifth day, and then I think they've got five days to reply back, and on the previous, they didn't take five days. They just come right back and hit us with...

MR. SORUM: I'll call them when this thing's over.

MR. JOHNSON: I appreciate it. That's what I was hoping you'd do.

MR. SORUM: No, I'll do that.

MR. JOHNSON: You told me you was the next floor down, I was hoping you would because we're dealing through the

congressman and the senator, and the senator, or the congressman sent a letter up, and asked him, said, look, this is your own people, this SBDC, and take their advice, and the answer back to the congressman, which I'll give you a packet, and you'll see. When they answered back to the congressman, they said, no, we don't consider them as part of us, and we don't have to stand for them at all.

MR. SORUM: Well, I don't know who wrote that letter, but, you know, the reality is that the SBDCs are grant programs primarily to universities around the country, and they're supposed to be partners.

MR. JOHNSON: That's what they tell you. That's what the stationary said.

MR. SORUM: No...

MR. JOHNSON: But he basically come back and said they're not a partner of SBA, and this is your problem, he said it's your problem.

MR. SORUM: Well, like I said, once this thing's over, the only reason I'm not going to be in their office this afternoon is I can't get out of Mobile until tomorrow because the last flight out of here is at 12:30, so, anyway. Did you want to make some...?

MR. CLARK HALL: I will.

MR. SORUM: Please.

MR. HALL: My name is Clark Hall. Our company is Frascati Shops, Incorporate. Our trade name is FSI Real Car Service Center. I didn't real come here prepared to speak this morning. I did want to learn the tone of the meeting. We are a small business. We are to the railroads, that would be Norfolk, Southern CSX, and Canadian National now, so forth, and so on, what Mobile Aerospace to the airlines. We're not nearly as large as Mobile Aerospace or Bender [phonetic] or Atlantic Marine or Alstel [phonetic] is to the shipping industry, same shipping industry. Obstacles, regulations, all those kind of things, have a tremendous impact, and while I had an opportunity to go before the SBA, I'll get around to that because we're going to be looking to the SBA. We're going to be probably looking to the Chamber.

We were established in 1993, and we took on building a business right, practically, from the start. Well, ours is a growing and very viable business, very different today than it was even in 1993, and I am talking about environmental regulations, all those kind of things. We try very hard in these areas. In fact, we've hired, and had an outside safety consultant almost since day one to come into our shop, unannounced to conduct monthly safety meetings. We have weekly toolbox talks. We carry a .80 NCCI rating, and that's our accident related experience, which for our industry, I'm told that's quite good. We constantly preach safety in our yard, but there's an expense

attached to it. But I buy it should be there because I tell our guys on a day to day basis that I want them walking back out that gate in the evening the same way they walked in. We're very, very interested in that. We spend money on safety. We spend money on environmental. We know what to do with oily waste rags, and such as that. We understand where waste oil goes. We even have an environmental, we call it the environmental car. That is a boxcar that we purchased from Norfolk Southern Railroad, and turned it into an environmental car. That's where the waste oil and such is. We've sealed the floor for spills, all those kind of things.

We face a lot of obstacles. You can't imagine what 9/11 did to a company like ours. Insurance companies. Do they want to insure us? Yeah, we weld, we swing sledge hammers, and we do all those kind of things. You can't believe how tight things got. I was in the hospital, in fact. Our work is comp renewed on January 1. We got a certified letter in the mail for our insurance company December the 17th that our worker's comp was cancelled. They didn't want to do business with people like us, although we carried that same NCC high rating. Yeah, you're a risk. I mean, people went nuts after 9/11. Our insurance cost sky rocketed. We did manage to get more insurance, but at a premium. Our general liability insurance increased. One of the problems that we face is, in our business, is that our labor rate, we've got a cap. The National Railroad labor rate is right at \$81.00 per man hour. I don't even mind sharing our labor rate. June 1, we're going to move up to \$52 per man hour. That's not much. Out of that, we've got to cover the cost of our labor, electricity, energy, and power, all of those kinds of things. Energy costs? Good gravy. Everybody knows what that is.

So we have to be very efficient with what we do. We employ right at 30 people, not even me. I'm on railroad retirement. I had a 50 year; I had 40 year, excuse me, 30 year career in the railroad business. I hired right here in Mobile, Gulf Mobile, and Ohio Railroad. They became Illinois Central Gulf, and as my son over here can attest, we moved all over the United States of America chasing a career, but that's the way it was back in those days. The downsizing of the industry finally cost me my job. New Orleans, 1985, but it opened another window, the business, like we have today. Went to a public meeting, Alabama Sea Port for Mobile has a project. Everybody knows about it. It's been in the papers. They got their \$80 million money, allowance from the state, committed; Governor signed off on it, this development is moving full speed ahead. From a personal point of view, I totally support it. I think it's going to be great for Mobile. I think between what the port is doing, and what could happen out here abruptly is probably one of the most exciting things that I've witnessed in my lifetime as industrial development, opportunities, jobs, all those kind of things.

Of course, to my surprise, when I walked to the public

meeting, into the public meeting, of course, we could make comments at that, too, but as I studied the charts, in other words, this is the layout of the new port facility, the rail yard, all the warehousing district, and all that sort of stuff, I all of a sudden became aware, we're located, 250 Industry, just down the street from McDuffy's [phonetic] Terminal. We weren't on the map. We're gone. Well, that was a... in fact, I was speechless. I couldn't make a comment because I had to suck all of that up, and go home, and realize that something... we may be out of business here. And I did write the director, Jimmy Lyons [phonetic], who I know. In fact, I know all those guys down there. I've been associated with them for a good part of my life. Grew up with many of them. Older than most now. But I did write Jimmy a letter, and the director a letter, and mentioned to him that I supported whole-heartedly the project, it's needed, but it was disheartening to learn that we were a casualty of this new development or would be a casualty of the new development. I reminded him that we had paid the state, by now, more than \$1.2 million in rent, switching charges, so forth, and so on. We made a contribution to the community, we've established ourselves. I owe it to my employees. They depend on their jobs. They put food on the table to support their families. We made a decision a long time ago, when we took on that business, we were barely minimum wage. We decided very early on that we'd rather have a little bit leaner work force, and a little bit better paid employee. Our employees that we have, for the most part, our tenured employees because I have this labor cap that, I mean, if I get, we get too far above where we are, I know that the railroad is going to start thinking, well, maybe we probably ought to start taking some of that work in back ourselves. Maybe the savings are getting a little bit lean out there.

Let me just say this, that the docks people might want to publicly say that they are actively working with us to relocate. It's not going to be easy to relocate our shop because we are in the former Gulf Mobile Ohio Railroad shops, about 10,000 lineal feet of track that we need as a rail yard. The cost of building new track today is about \$75 a lineal foot. Terribly expensive. Hopefully, we're going to be able to find a location, and I underscore these guys are concerned. They are interested in working with us, but I don't see us standing in the way of progress. We may, well; the figure we have is a year and a half to five years to find a new location.

So to the SBA, to the Mobile Chamber of Commerce, we're probably going to be knocking on your door as we begin, as the search has already begun. We do not intend to go out of business. That ain't going to happen. Terminal Railway, if we disappeared, what would happen? They could probably take over, and do the same work we're doing. We might not be missed, but I wouldn't like to see that. That ain't going to happen, either. The thing is that we compete. We have welders. We compete with that industry that I just mentioned, Mobile

Aerospace, Bender, and Alstel, for employees. It's hearsay to me right now, but I know Alstel is looking for a mighty fine contract, and I'd certainly support that. It would kind of be interesting to me to see the building go up, and they don't have a contract yet. I don't know how that kind of things work, but in my business, I don't think I could get that done. But I also understand, and I may stand to be corrected here, but I understand that the federal government is in a position to subsidize pay of shipyard workers when they have government contracts. That puts us in a terrible position to go out and compete for labor. I don't know. We don't have an avenue to government contracts. If there are any avenues to government contracts involving railcars, I would sure like to know about it, how to go about getting in on that. We don't have that right now. I'm quite certain that the military still owns rail equipment somewhere, and it's got to need repair. We'd love to have that kind of an opportunity if that kind of an opportunity exists.

I would love to pay my guys more money. I would like to see them, in fact, raise time is coming up. We go, getting ready to go through performance appraisals. We do that. Everybody wants to know where they stand, and guys that push themselves everyday for our company, we want to reward them, and I would like to have them, see them have more benefits than they have right now, but it's a simple matter that we're going to have to go up, to handle raises this year, we've got to go up \$2 on our... to \$52 an hour on our labor rate just to cover that, and our increased insurance costs, and all those kind of things. Even some of the bankers tout that small business is the backbone of America, and I see it advertised every day on TV. Bank of America, I think, is running an ad even today about small business. But I can assure they don't roll out the red carpet for me when I walk in the door. I don't feel like a preferred customer. I do have a good relationship. We've always met all of our obligations with our lending institutions. I'd be happy for anybody to check my credit for how our business operates, but I just don't have that warm, fuzzy feeling, cozy feeling when I walk in there. But I see some obstacles ahead of us that are going to be real tough, and all I'm, again, restating I hope we have the Chamber and the SBA in our corner when we get down to push come to shove. It's going to come. And if there are any subsidies out there that have to do with payroll to help support my group, I'd sure like to know about that, too. I guess that's the end of what I have to say. Thank you.

MR. SORUM: Thank you, Mr. Hall.

MR. HALL: Mm hm.

MR. SORUM: I'd like you to fill out a comment form before you leave just with basic information, and I'd like to refer that to our government contracting and business development people to see if there's anything that they can do to guide you to where you might be

able to get some additional work.

MR. HALL: I'd surely like to do that. I don't know, is there any way that I might fill this out, and get it back? I do have a rather urgent situation here at 11:00 that I've got to attend to if I could hand it to somebody or...? I can fill this out, and get it back in here?

MR. SORUM: Or you can FAX it in.

MR. HALL: FAX it in?

MR. SORUM: Yeah.

MR. HALL: I'll do that.

MR. SORUM: Grab one of the blue brochures that have the FAX number on it.

MR. HALL: I've got it, I've got it.

MR. SORUM: Okay. Yeah, you can FAX it to us, and we'll take it from there.

MR. HALL: I will do it. I appreciate that. Thank you.

MR. SORUM: Okay? All right. Do we have any other comments? Bruce, you've got some issues that have been raised. As I said earlier in my presentation, confidentiality is an option. These comments have been submitted on a confidential basis by a small business, and I have chosen to hear them one by one, and try and respond to them as to what action we can take or can't take.

BRUCE: So that we can read this, and the board will read these into the record of the hearing. This issue was submitted online anonymously. Item one: Better enforcement of SBA regulations on companies such that their procurement office personnel are not intentionally or unintentionally becoming quote, unquote, barriers to entry, in doing business with our company.

MR. SORUM: As I said, as we do these hearings, the SBA is not outside of the realm of constructive comment, and in this case, it's a matter, I will refer it to our procurement people, and get a response from them. The issue is going to be how do we get it back to the back to the commenter, and I'm going to have to rely on the district office where this came from to deal with that.

BRUCE: Okay. Item two from the same comment: There needs to be some regulation / clause / requirement that prevents large combining or lumping together of contracts or one that requires the contracts to be split or sets a logical size limit to the contract to allow small businesses to compete. In many cases, a small company can do several smaller portions of the contract, but if the issuing company is looking for a one stop shop, then the majority of SDB, and it would SDBs, are out of luck. One example is where a contract asks for a computer programming, but also wanted the winner to provide

virtual reality training, and there was no mention of assistance with any equipment. I don't know of many SDBs with this sort of expensive equipment at hand. I have yet to see my cardiologist order the new GE / VT scanner for his private practice.

MR. SORUM: Well, one of the issues that President Bush is very concerned about is contract bundling. He has, since he came to office, trying to break that apart because they, you know, when we started this process, there were a number of circumstances wherein small businesses would successfully bid on a small business set-aside, and then a large business like Lockheed Martin would come in and buy the small business, and just put it under their umbrella, and grab the contract, and that it made it easy for everybody. We're working on that. Our government contracting folks are very concerned about it, and we'll refer this to them as well.

BRUCE: Item three from the same submitter: There needs to be some regulation / clause / requirement that prevents companies from allowing their current small business suppliers from locking or becoming too entrenched with a particular customer. With sufficient evidence, such situations would be loose partnerships or even subsidiaries, and not meeting current SBA regulations. Such cases would be where a company that has repeatedly and / or exclusively won small, medium, large contracts for the past five years with the same company or holds some unusually heavy dependency on the business from the main customer or where the major customer accounts for over 30 percent of all their business or where the small business has assets, equipment, services that serve their main customer specifically.

MR. SORUM: This is a case where, number one, we need to have more facts because, you know, we don't know what they're talking about. We don't know if it's the DOD or if it's Transportation or if it's EPA or what it is. What we need to do is find out from the commenter what they're referring to specifically, and then refer it to the IG in that particular agency, because when you talk about repeated long term contract relationships, that's something that the IG ought to be looking at in that agency.

BRUCE: Item four from the same submitter: Technical contract sharing issues. For larger contracts, it is always commonplace to see purchase of computers, screws, and pencils, et cetera, but not enough of the truly technical contracts that would allow a small business the use of advertised core competencies meaning the best components of a contract seem to always be held, captured or reserved for the large company. FedBizOpps, for example, majority of the contracts are for procurement of supplies. Where are all the technical contracts? HL, security, et cetera.

MR. SORUM: Well, in this case, what the commenter needs to do is get involved in our business matchmaking program. We have a

program that provides for buyers and sellers to get together of small businesses, meet with federal and large company buyers, and they specify what they want, we do a match, they have 15 minutes to make their pitch for a contract, and it's been very successful. It's going to be virtual within six months. We've got five tests going right now.

BRUCE: Item five: Some regulations set by USSBA that defies acceptable descriptions that companies can use or better sets and defines and matches appropriate contract titles and descriptions with NACIS, formerly the SIC code. For example, one company repeatedly publishes their advertisement and marketing contracts under the title and description of Homeland Security. This causes lots of confusion and frustration when non-homeland security related companies win such contracts. Just because a company has a homeland security department doesn't mean that every contract they issue should be titled Homeland Security. Instead, the contract title should be directly related to, and reflected of the true scope of work. This would allow a more effective and accurate record for both governmental agencies, and potential bidders of the number of contracts issued in any particular category.

MR. SORUM: Because this is a what if comment, I think that what I'm going to do with it is send it over to our office of advocacy because it's a policy issue as opposed to a specific matter, and see what they can do about it.

BRUCE: Item six: More employees are needed for their workers in the Birmingham SBA office. If the enforcement of SBA regulations and the building of small businesses are to continue, there needs to be a more representative and appropriate number of agents working to assist the small businesses. So far, in the Birmingham office, there is only one person handling small business concerns for Alabama. This is unacceptable. If this is the result of cost cutting, all of the problems that small businesses face will only increase ten fold if the SBA...it's misspelling here, but it must be committees, are even considering allowing the major contracts for holding companies to be responsible for all aspects of small business concerns. To turn such a program over to the public would be suicidal to the small business community. Anything other than a federally funded organization would enforce government regulations would be foolish.

MR. SORUM: Well, L.D., you didn't have to write that.

[laughter]

MR. RALPH: I could very easily.

MR. SORUM: Within the SBA, we're trying to work smarter, and we're trying to spend dollars more effectively. There is impact across the country. The number of people that are working in all the district offices is down, but we're doing a better job. I mean, I talked

to a district director the other day who said, you know, I'm losing seven people, and I'm not going to miss them because they don't perform, and this is a good thing. But, I don't know, the administrator and the president want us to work smarter, and be more effective. That's why when I travel, I travel solo because we don't, I mean, I don't need anybody to hold my hand or carry my bags. I just need to get out here, and meet with you all, and get the job done.

BRUCE: Item seven, and the final item from the commenter: There should be a more equal effort representation of all races and sexes in the SBA offices. Although not foolproof, this would be a more logical approach to assuring or at least preventing discrimination from occurring in the issuance of government certifications, assistance or funding.

MR. SORUM: Well, I don't know where this commenter is looking. It does not mirror the SBA that I know, and I think that we are not only an equal employment, but a very responsible organization, and I think that we have a wonderful workforce that works hard for small business, and is dedicated to small business, so, again, I don't know if this commenter has been touring the country or has just gone to Birmingham, and listened to L.D., so, anyway.

MALE VOICE: That's not true in Birmingham, either.

MR. SORUM: What?

MALE VOICE: No, definitely not Birmingham.

MALE VOICE: No, no.

MALE VOICE: The comment for...there's not a problem in Birmingham, either.

MR. SORUM: Like I say, I don't know where this person has gotten the information, but that's not the SBA I see when I travel the country, so, anyway. Anybody else got anything they'd like to talk about? If not, we'll let you go back to work. Okay? Thank you all for coming.

MALE VOICE: Thank you for debating on those things. You get an A.

MR. SORUM: Thank you.

MALE VOICE: I like your enthusiasm for your work. Thank you.

MR. SORUM: Thank you very much for coming.

MALE VOICE: Yeah, yeah, yeah.

[END TAPE 2 SIDE A]